PART A:

MODELLING THE IMPACT OF AN EU-US DEAL ON PASSENGER SERVICES

Introduction.

1. The original analysis of the relative benefits to the UK of Open Skies or an Open Aviation Area over the current Bermuda 2 agreement[1] was carried out in anticipation of a liberalised agreement and before the events of September 11th 2001. In the intervening time no transatlantic liberalisation has been agreed, but the US and UK airlines have been under more pressure to reduce costs as they have seen demand fall and then recover.

2. In this climate, and with the possibility once again of a liberalising agreement, the previously calculated benefits cannot still be assumed to be available. It has therefore been decided to check and update the assumptions which were originally made and where necessary to repeat the calculations.

3. In assessing the likely benefits, we have tried to avoid recreating the entire spreadsheet model, due to time constraints. Rather, where circumstances have clearly changed, we have attempted to change either the input variables or to make reasonable amendments to the output from the model. We have also repeated the net present value calculations of the original analysis, but this time expressing the benefits in 2005 prices.

4. This annex outlines the assumptions that underlie the modelling work and highlights where those assumptions have been changed in the latest calculation of benefits. It also provides greater detail of the analysis that underpins the specific assumptions on the expansion plans of US airlines under the liberalised scenarios. Where table numbers are quoted in the text, these relate to the tables from the original document; where appropriate, equivalent tables, updated to include data from 2005 are included in an appendix.

Overview of method and key assumptions used in analysis

5. The analysis carried out in 2002 worked on the basis of first predicting – at a route and airline level – the extra transatlantic capacity likely to arise from Bermuda 2 and the liberalised scenarios. It then simulated the effects this would have on fares and passenger demand through spreadsheet modelling and from this calculated the likely overall net benefits to UK passengers and airlines in any particular future year. These benefit calculations also took account of the pressures on airline costs arising from more liberalised regimes.

6. Different initial assumptions are made for each of the different scenarios (Bermuda 2, Bermuda 2 with no Sum of Sectors, Open Skies and an Open Aviation Area) and the resulting passenger and airline benefits calculated. Overall benefits for a particular scenario are then derived from standard net present value calculations.

7. The assumptions used in the model can be divided into four broad categories:

[1] 'A Quantification of the Effects of Liberalising Bermuda II', Final Report produced by CAA for DfT, June 2002

- General assumptions and exclusions. These define the scope of the analysis and the prevailing condition of the aviation industry. For example, this work only considers benefits arising from passenger services between London and the US, does not consider the loss of benefits due to services being displaced from Heathrow to make way for new US flights and assumes that there will not be any significant new seventh freedom services operating from London as a result of liberalisation.
- Route network assumptions. These summarise the likely new and expanded schedules operated by the US network carriers under the various liberalised scenarios and are based on analyses of the US domestic market and transatlantic flights to EU countries which already have open skies agreements with the US. They also predict the likely reaction from the incumbent UK carriers and the expansion plans of bmi.
- Airline cost assumptions. These look at the current breakdown of airline costs and profits and estimate how they may be affected by the expansion undertaken in the liberalised scenarios. In general, the only source of airline cost saving under Bermuda 2 and Open Skies scenarios is through lower profits (some portion of airline labour costs is assumed to be profit related). In the first five years of an Open Aviation Area it is assumed that merger or the increased threat of competition will generate cost savings across the industry.
- Air fare assumptions. These are used to examine the impact which extra capacity will have on air fares. It is assumed that the airlines will attempt to preserve their current load factors and so will reduce their fares to achieve this given the increases in capacity. The key assumptions here are the leisure passengers' elasticity with respect to price and the business passengers' elasticity with reflect to flight frequency.

8. A more detailed examination of each of these categories of assumption follows, outlining the justification for them and whether they have been retained or amended for the present analysis.

General Assumptions

9. The analysis of benefits was only directly concerned with passenger services, although it implicitly assumes that bellyhold cargo and other non-passenger related revenues will grow at the same rate as the overall frequency. Undoubtedly there will be benefits to cargo-only services arising from each of the liberalised scenarios, but these were not assessed in 2002 and have not been now. ***This assumption is retained.***

10. The 2002 report did not take account of any loss of benefits at Heathrow due to the displacement of services, which would be necessary to accommodate the increase in US services in the liberalised scenarios. Whilst this assumption has been maintained, it is also considered highly likely that bmi will withdraw some of its domestic services in order to provide slots at Heathrow for its expansion into the US market. This will come at a cost to those UK passengers from the regions who use them. For those passengers travelling to and from London, the effect is likely to be minimal, as alternative services to other London airports already exist. Those passengers who were interlining at Heathrow will probably have to interline through another European hub and incur extra travel and connection times. ***These effects have been estimated by using bmi's current Belfast services as a proxy and the costs per rotation applied to each of the new flights bmi is assumed to start up at Heathrow***.

11. The original report did not take account of the effects of liberalisation on any service from the UK regions to the US. Although it can reasonably be assumed that most US carriers would retain their regional operation as well as expanding into London (since for US carriers, their regional services tend to carry more UK residents to the States, whereas London services carry more US residents to the UK), it is quite likely that bmi would choose to relocate its Manchester services to London as the best short term use of a long haul aircraft. ***The costs to the UK of such a move have been assessed and incorporated into the Open Skies and Open Aviation Area scenarios.***

12. No benefits to UK airports are calculated although some will probably arise from the extra passengers carried in the liberalised scenarios. However, these benefits will be minor since there are few unused slots at Heathrow and so it is likely that each new transatlantic service will displace some already existing flight[2]. ***This assumption is retained.***

13. One feature of the London-US market that is particularly important for the benefits model is the proportion of passengers who connect either in London or in the US or both. Table A1 shows the proportions of traffic in the various connecting categories both in the model and according the CAA's latest survey data. It shows that there has been very little change in the proportion of connecting passengers from the original model assumption to the actual proportions in 2005. The use of the data from 2000 as an approximation for the year 2005 does not appear unreasonable. ***This assumption is retained.***

Table A1 – Passenger journey type between London and the US

	Over both	Over US	Over London	End to End
Model Base Case	6%	16%	26%	51%
Survey data 2005	8%	15%	27%	50%

Source: CAA O & D Survey 2005

Route Network Assumptions

14. The benefits for the different scenarios are estimated by modelling the effects on passenger fares and airline costs due to projected increases in capacity from London to US gateways on a route-by-route basis along with the introduction of new routes. They are therefore heavily dependent on the assumed capacity growth calculated for the different scenarios and to a lesser extent the capacity offered in the base year.

15. The level of capacity offered across the Atlantic in 2005 was roughly equal to that offered in 2000. For this reason, and since the purpose of the current analysis is to estimate the relative benefits of different liberalised scenarios rather than their absolute benefits, it is not unreasonable to use the benefits derived from the original runs of the model, provided that the assumptions concerning route development all still hold or can be accounted for.

16. UK airlines have already transferred services from Gatwick to Heathrow – the model does not accrue significant extra benefits from a Heathrow rather than a

[2] Nevertheless it is also likely that the new US services will carry more passengers than the displaced ones and so there will be a net benefit to the airport in terms of passenger charges and spending at the airport's facilities. It is also possibly that the displaced services (or at least some proportion of them) will merely relocate to another London airport, providing extra income there.

Gatwick operation (although acknowledges that Heathrow tends to be preferred)[3]. Some small reduction in benefits for the liberalised scenarios should be expected, but ***none has been assumed for this analysis***.

17. Under Bermuda 2 it is assumed that capacity growth will be a constant 4% per annum for all routes and airlines. This was a conservative estimate for growth at the time and although the growth rate has been slower in the intervening years it is now recovering. It is further assumed that no mini-deal will be struck allowing bmi into Heathrow and that bmi will not take up spare UK opportunities at Gatwick. ***This assumption is retained.***

18. Under the liberalised scenarios, the increase in services by the US carriers is underpinned by the assumptions that they still consider London (and particularly Heathrow) as a prime European destination. The specific services to be introduced or increased over and above the underlying 4% growth in the market are calculated by consideration of the carriers' transatlantic networks to other European points, the total passengers served at the major US airports and the domestic carryings of the US airlines.

19. Bringing these calculations up to date does not appear to change the likely increase in US airlines' services under either of the liberalised scenarios. This update is described in more detail in a later section of this annex. Although certain routes may have one or two rotations more or less the overall level of increase seems to be the same. ***These assumptions are retained.***

20. The response from the UK airlines to US expansion under the liberalised scenarios is examined by evaluating two separate options. In the high case, it is assumed that cost savings can be made and frequency increased to match the US carriers, whereas in the low case BA and Virgin are assumed to retain their original frequency but cut capacity to preserve profitability. Both of these cases assume relatively simplistic responses from the UK airlines, and therefore the actual benefits achieved, arising from a response that is difficult to predict and model in any detail, is likely to fall somewhere between the results they produce. ***These two options have been retained in their original form***.

21. In the original analysis it was assumed that the incumbent UK airlines would be relatively passive in the liberalised scenarios, simply responding to frequency increases by the US carriers. A possibly less likely alternative scenario is that the UK carriers would use their slot portfolio at Heathrow to try to increase their market share ahead of their US rivals. However, to estimate UK benefits for this would require a complete reworking of the model and has not been practical for the current analysis.

22. The rate at which new airlines expand their networks at Heathrow is governed by the ease with which they are assumed to have access to new slots at the airport. It was assumed that BA and bmi (and their alliance partners) would be able to utilise their slot portfolio to introduce new US services quite quickly. The other airlines would find it harder to get suitable slots and so each airline is assumed only able to add frequencies at a rate of one or two per year even under the most liberal scenarios. The circumstances underlying this assumption do not appear to have changed in the last five years. ***This assumption is retained.***

[3] It does calculate benefits to passengers from shorter surface access costs, but in 2001 these represented only a negligible amount.

23. In the Open Aviation Area scenario it is assumed that United and bmi will deepen their alliance and therefore put on extra routes between London and United's hubs[4]. Although it is equally possibly that BA and American or Virgin and another US carrier could also move closer together, no further assumptions are made. The main effect on the benefit case is not so much which routes are better served, but the total number of extra services. Keeping the United/bmi alliance assumptions therefore seems a reasonable compromise[5]. ***This assumption is retained.***

Airline Cost Assumptions

24. Of the benefits and costs calculated from the model, the change in airline profits is one of the most significant and this in turn is derived from assumptions around the composition of airline costs and the degree to which airlines become more efficient under the more competitive regime of the liberalised scenarios.

25. For convenience, it was assumed that costs would remain at their current levels under Bermuda 2. Although this ignores the trend in airlines costs to come down over time, it makes little difference to the results as it is applied to all scenarios. For the same reason, we have ignored any future increases in airline cost due to high oil prices or other factors. ***This assumption is retained.***

26. It is assumed that no configuration changes take place under any scenario. Again, although this ignores the increased use of flat beds on transatlantic services, it will not be likely to affect the relative benefits of the various scenarios. It does carry the assumption that the current differentiation between the offerings of airlines as far as seat pitch and passengers per aircraft are concerned will persist under Bermuda 2 and both liberalised scenarios. It also assumes that business or leisure only services will remain niche players under all scenarios. ***This assumption is retained.***

27. It could be argued that UK and US airline costs have changed significantly since the study was first undertaken in response to the events such as 9/11 and, in particular, that the potential savings due from Open Skies or an Open Aviation Area will be reduced. Although airlines have undoubtedly decreased their cost base over the last five years, data on Virgin[6] from the CAA's airline financial statistics suggest that these have been mirrored by decreases in average revenue. Since virtually all benefits calculated in the model arise from passenger fare savings or airline profits, decreasing them all by a fixed percentage will not change the relative differences calculated here.

28. The composition of airline costs plays a part in the modelling of benefits. Costs are assumed to be made up of three aspects: 'Sales Cost' which is defined as 'Ticketing, Sales and Marketing' and is calculated as a percentage of the airline revenue; 'Capacity Costs' which are assumed to be proportional to the ASKs offered; and 'Passenger Costs' which are assumed to be proportional to the RPKs delivered. The latest CAA data suggests that the proportions of these costs have not changed significantly for the airlines over the last five years (see Table 5.6). ***This assumption is retained.***

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[4] An increase of 9 extra rotations during the first five years of an Open Aviation Area in the high case. This is in addition to the 38 rotations which would have been added in the Open Skies high case and the 141 rotations in total at this time under Bermuda 2.
[5] The assumption is that United and bmi operate 50% each of the extra services.
[6] Used since Virgin is the UK's major solely long-haul airline.

29. The only cost savings that are assumed under Open Skies in the original model are generated by the fall in airline profits and the assumption that, since 10% of total labour costs are profit related, these will fall also. This assumption has been retained, but the proportion which labour costs makes up of total airline costs had been updated. In 2002 this was calculated as 33%, whereas in the present it is only 27%[7]. This is in part due to the rise in fuel costs, but may also reflect the efficiency gains airlines have made under pressure from 9/11 and restructuring under Chapter 11 bankruptcy. ***This assumption is retained but the proportion of labour costs to total costs is amended to 27%.***

30. Under an Open Aviation Area, it is assumed that airlines will benefit from deeper alliances and the efficiencies engendered by greater competition. All airlines are assumed to reduce their costs by 0.5% per year for five years[8] and those airlines most likely to enter deeper alliances or mergers (Delta, United, Northwest and bmi) are assumed to save an extra 5% of costs[9]. Although airlines have faced increased pressure on costs over the last five years, there is no reason to believe that these efficiency gains could not still be made under the conditions of increased liberalisation that an Open Aviation Area would bring. ***This assumption is retained.***

31. Open Skies is assumed to have none of the extra benefits of an Open Aviation Area, save the increased likelihood of merger between EU airlines. Reports from Air France/KLM[10] suggest that they expect to make cost savings of the order of 0.7% per annum over the first four years of their merger. When considering the EU partners with which the UK airlines might merge in the wake of an Open Skies deal (BA with Iberia, bmi with Lufthansa) and the likelihood of such mergers actually occurring, it is unlikely that they would experience such high levels of cost saving. We have ***assumed that BA will achieve cost savings of 0.125% and bmi 0.5% per annum for the first five years of an Open Skies deal.***

32. Although under Open Skies it would also be possible for other EU airlines to operate transatlantic services from Heathrow, it has been assumed that this is unlikely to happen. The EU airlines are considered much more likely to come to merger or code-share agreements with existing UK airlines.

Airfare Assumptions

33. The final assumptions reviewed are those that underpin the fare structure in the model and the passengers' sensitivity to changes in fares.

34. The benefits from removing Sum-of-Sectors restrictions were calculated by comparing return fares to US back-points from London and Frankfurt. There appears to have been no significant change in relative fare levels for multi-sector flights over the last five years and CAA survey data shows that the proportion of traffic from London connecting over a US gateway has not changed materially either. ***This assumption is retained.***

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[7] Taken from the CAA's financial statistics for Virgin Airways.
[8] A conservative estimate derived from the expected cost savings of 1.5% to 2.5% over five years estimated in the Treasury report.
[9] From an estimate by Doganis (of 7%) quoted in the above mentioned Treasury report.
[10] http://www.businesstraveleurope.com/news.php?id=199

35. The other main assumption on fares is that the regulatory regime will stay the same under Bermuda 2. The CAA is intending to withdraw its fares regulation on US routes, but this has been assumed here to have a negligible effect since the relaxation of regulation is based on fares being already constrained by factors such as competition from indirect routings. ***This assumption is retained.***

36. The impact on premium fares from Open Skies is assumed to be related to the frequency offered whereas the reaction of leisure fares is related to the overall capacity increase. Consistent effects could not be deduced in 2002 from the available data for those European countries that have already signed deals with the US. Consequently a game theoretic approach was used to estimate fare responses to new entry. Updating the fares data (see Tables 1.6 and 1.7) still does not produce any clear premium or leisure fare impacts of Open Skies, so this analysis also relies on the output from the game theory approach.

37. This output is used in effect to generate price elasticities for premium and economy traffic from the UK to US gateways. The assumed elasticities in the model are –0.5 for premium traffic and –1.5 for direct leisure traffic (with connecting leisure traffic, assumed to be more elastic, rising to –2.5). This appears at odds with the latest CAA thinking particularly on leisure elasticities[11]. However, it should be remembered that indirect routings via European points remain an option for the traveller and these will have an effect on the route elasticities. ***It is assumed that the premium price elasticity is –0.5, the direct leisure elasticity is –1.0 and the indirect elasticities are –1.5***.

38. Some benefits are assumed to accrue to the passengers as a result of services transferring from Gatwick to Heathrow. These are mainly in the form of lower surface access costs from the passenger's eventual origin or destination point. While it would be possible to update these calculations using the latest CAA survey data the resultant benefits are very small in relation to the overall total and are unlikely to have changed significantly. ***This assumption is retained***.

Estimated increase in US airlines' services due to liberalisation.

39. In all the model scenarios there is an assumption of underlying demand growth of 4% per annum. In the liberalised scenarios, whilst a greater proportion of that demand growth can be accommodated by the airlines, there is also the increased demand for services driven by the US airlines seeking to add to their existing networks. Analysis was undertaken in 2002 in order to estimate the extent to which the existing services offered by the US airlines fell short of those which would have been available without regulatory or capacity constraints. An important aspect of the validation of the initial model assumptions was to repeat this analysis using data from 2005.

40. This 'desired' level of service for US airlines has been estimated through consideration of the carriers' transatlantic networks to other European points, particularly those where an open skies agreement with the US is already in operation, through comparison with the total passengers served at the major US airports and through comparison with the domestic carryings of the US airlines. Any suggested increase in services on a route was discounted where there was already scope through the existing Bermuda II agreement which had not been taken up by the US airlines.

[11] 'Demand for Outbound Leisure Travel and its Key Drivers', CAA December 2005.

41. To update these assumptions it was first necessary to update the tables from the original document that were used to justify them. Then, by following the same logic, it was possible to estimate the new level of extra services which US airlines might desire over and above those in operation in 2005. The details and results of this process are outlined below with the updated tables in the appendix. Tables 4.1a and 4.1b show the US services offered at Heathrow and Gatwick respectively in 1995, 2000 and 2005.

42. Table 4.6 compares the different US carriers' transatlantic offerings for a selection of routes and highlights where, in comparison with those to other European capitals, London services appear to operate at a level below that which might be expected. On this evidence, the 2005 data indicates that extra services by American to Miami, Continental to Newark, Delta to New York and Northwest to Boston, Memphis and Seattle would be offered were they possible.

43. Table 4.7 examines the size of US airports, as measured by total enplanements, their importance as hubs to the US carriers and whether a service to London operates or has operated in the past. This information is used to indicate which new routes might be expected to operate to London in the absence of regulatory constraints and suggests that the most likely points are Salt Lake City, Pittsburgh and Memphis.

44. Table 4.11 compares the domestic and London services operated at US airports and so calculates the number of transatlantic round trips per million domestic enplanements. It suggests those US airports whose services to London are fewer than they should be when compared to the level of US domestic traffic. On this basis, new services would be expected from New York, Newark, Detroit, Minneapolis, Atlanta, Los Angeles, Denver and Salt Lake City.

45. Table 4.12 examines the seat capacities offered by US airlines between US airports and the major European capitals and calculates the share of the overall seat capacity for the London route. Where this share is low[12] this may indicate that services are being constrained by Bermuda II and from the 2005 data, these services are to Anchorage, Atlanta, Cincinnati, Detroit, Fort Myers, Memphis, Minneapolis and Philadelphia.

46. Although each of these analyses reveal some services that may be constrained by the current UK-US bilateral, the agreement does allow expansion of services under certain conditions. Tables 4.9 and 4.10 show on which routes US or UK airlines were constrained from expanding by Bermuda II in 2005 and on which routes they are not. They also indicate whether either side has expanded their frequencies in the last five years.

47. Using a similar logic to the 2002 document, in which some of the suggested new services are rejected for operational or market reasons, the results of all of these analyses are brought together in Table A2. The 'desired services' highlighted in this table should be taken to mean those extra frequencies which US airlines would have chosen to operate to the UK in 2005, but were prevented from doing so by the Bermuda II agreement. The table also shows the output from the equivalent analysis carried out in 2002 using only data from 2000.

[12] This is taken to be 35% or less.

Table A2 – Desired extra US airlines services to the UK in 2005 and 2000.

	2005			2000			
US Airport	US airlines frequency	Desired expansion	Total	US airlines frequency	Desired expansion	Total	Difference
Atlanta	4.0	1	5.0	4.0	1	5.0	0.0
Los Angeles	8.0	1	9.0	8.1	1	9.1	-0.1
Denver	1.0	1	2.0	1.0	2	3.0	-1.0
New York	18.8	5	23.8	22.3	4	26.3	-2.5
Minneapolis/St. Paul	0.8	1	1.8	1.0	1	2.0	-0.2
Detroit	2.0	1	3.0	2.3	0.5	2.8	0.2
Newark/New York	6.8	4	10.8	8.0	3	11.0	-0.2
Philadelphia	3.0	1	4.0	3.8	1	4.8	-0.8
Miami	4.3	1	5.3	4.0		4.0	1.3
Charlotte	1.0	1	2.0	2.0	1	3.0	-1.0
Boston	5.9	1	6.9	7.0	1	8.0	-1.1
Cincinnati	1.0	1	2.0	1.0	1	2.0	0.0
Baltimore	1.0		1.0	1.0	1	2.0	-1.0
Salt Lake City	0.0	1	1.0	0.0	1	1.0	0.0
Tampa	0.7	1	1.7	0.5		0.5	1.2
San Diego	0.0	1	1.0	0.0		0.0	1.0
St. Louis	0.0		0.0	1.0	1	2.0	-2.0
Pittsburgh	0.0	1	1.0	0.5	1	1.5	-0.5
Memphis	0.0	1	1.0	0.0	1	1.0	0.0
Other US airports	*37.4*	*0*	*37.4*	*34.3*	*0*	*34.3*	*3.1*
Total	95.7	24.0	119.7	101.8	21.5	123.3	-3.6

48. The table shows that, whereas 21.5 extra daily frequencies were calculated as being constrained by the Bermuda II bilateral agreement based on 2000 data, the equivalent figure from the latest 2005 data set was 24. On this basis, and given the degree of uncertainty which would anyway be present in the calculated results, the assumption was made that the benefits derived from the 2000 data on US airlines route expansion already present in the model would form a reasonable estimate of the situation in 2005.

Results

49. The model was used to calculate annual costs and benefits to the UK and US passengers and airlines under each of the scenarios for a selection of years. The benefits were interpolated and extrapolated between and beyond these years and the Net Present Value (NPV) benefits of each of the options was calculated in the original document using a discount rate of 6% per annum. Only the benefits for the UK industry, passengers and airlines, were calculated.

50. A similar method has been used for the current analysis and the results have been produced for both the high and low cases and are shown in Tables A3 and A4. The NPV benefits have calculated over a 20-year timeframe, using a discount rate of 3.5% per annum[13], and converted them into 2005 prices. However, between the high and the low cases there is a wide degree of variance with benefits more likely to fall somewhere centrally within this range, so of more

[13] In line with the standard discount rate used by the Government, as was the 6% used in the previous analysis.

relevance is perhaps the relative benefits of the various options which has been expressed as an index based on the Bermuda 2 scenario.

Table A3 – Model outputs, high case.

Scenario	UK Benefits (£ bn)	UK Benefits over Status Quo (£ bn)	UK Benefits indexed to Status Quo
Status quo (Bermuda ii)	8.9	0.0	100
Open skies only	11.0	2.2	125
Open skies+ OAA 6 years	11.8	3.0	134
No open skies + OAA 6 years	11.1	2.3	126
No open skies + SOS dropped	9.6	0.8	109

Note: Benefits expressed in 2005 prices and calculated over a 20 year period

Table A4 – Model outputs, low case.

Scenario	UK Benefits (£ bn)	UK Benefits over Status Quo (£ bn)	UK Benefits indexed to Status Quo
Status quo (Bermuda ii)	10.3	0.0	100
Open skies only	10.4	0.1	101
Open skies+ OAA 6 years	11.2	0.9	109
No open skies + OAA 6 years	11.0	0.8	107
No open skies + SOS dropped	11.0	0.8	107

Note: Benefits expressed in 2005 prices and calculated over a 20 year period

51. The benefits calculated for the high and low cases represent a very wide range and this may be due to the fact that they both represent simplistic responses by the incumbent UK airlines to US carriers' expansion plans. This point is indicated by Table A5, which breaks down the benefits in the 'Open Skies only' scenario between UK passengers and UK airlines. A more likely central case would probably see lower overall UK airline disbenefits, consequent lower UK passenger benefits and a total benefit to the UK lying between those calculated for the High and Low case.

Table A5 – Open Skies only model outputs sub-divided by passenger and airline.

		Low case	High case
UK Passenger benefits	Net present value (£bn)	5.4	5.2
	Average annual benefit (£m)	269	259
UK Airline benefits	Net present value (£bn)	-5.3	-3.0
	Average annual benefit (£m)	-264	-149
Total UK benefits	Net present value (£bn)	0.1	2.2
	Average annual benefit (£m)	5	110

Note: Benefits expressed in 2005 prices and calculated over a 20 year period

Appendix – revised tables

Table 4.1(a) - Changes at Heathrow between 1995, 2000 and 2005 under Bermuda II

Origin	*Destination*	*Airline*	*Flights 1995*	*Flights 2000*	*Flights 2005*
Heathrow	Baltimore	**BA**			**361**
	Boston	American	604	729	703
		BA	645	1,093	1,084
		United		**366**	
		Virgin			**357**
	Chicago	American	916	1,407	1,640
		BA	581	729	1,091
		United	111	1,038	1,095
		Virgin		**362**	
	Denver	**BA**			**362**
	Detroit	**BA**		**364**	**362**
	Los Angeles	American	364	364	572
		BA	716	911	908
		United	474	575	365
		Virgin	364	728	713
	Miami	American	365	366	446
		BA	401	366	781
		Virgin			**358**
	New York	American	2,093	2,306	2,107
		BA	2,117	2,759	2,497
		United	1,202	1,091	667
		Virgin	700	1,104	1,069
	Newark	**American**		**364**	
		BA	364	729	1,020
		United	**365**	**366**	
		Virgin	364	365	685
	Philadelphia	**American**	**91**		
		BA	545	730	723
	Phoenix	**BA**			**311**
	San Francisco	BA	582	664	722
		United	473	732	730
		Virgin	335	364	357
	Seattle	BA	364	363	365
		United	**52**		
	Washington	BA	582	832	1,026
		United	671	996	1,304
		Virgin		**364**	**356**
Heathrow Total			**17,250**	**24,601**	**25,137**

Source: OAG Schedules from BACK Information Services

Table 4.1(b) - Changes at Gatwick between 1995, 2000 and 2005 under Bermuda II

Origin	*Destination*	*Airline*	*Flights 1995*	*Flights 2000*	*Flights 2005*
Gatwick	Atlanta	BA	364	575	363
		Delta	675	902	1113
	Baltimore	**BA**	**364**	**365**	
	Boston	**Northwest**	**299**		
		Virgin	**364**	**362**	
	Charlotte	**BA**	**364**	**365**	
		US Air		**364**	**365**
	Cincinnati	Delta	363	364	365
	Cleveland	**Continental**		**362**	**152**
	Dallas	American	583	728	915
		BA	364	364	362
	Denver	**BA**		**364**	
		Continental	**21**		
	Detroit	**Delta**	**52**		
		Northwest	252	467	365
	Houston	BA	364	381	612
		Continental	360	728	721
	Las Vegas	**Virgin**		**60**	**247**
	Miami	**BA**	**280**	**365**	
		Virgin	**261**	**363**	
	Minneapolis	Northwest	365	365	303
	Nashville	**American**	**273**		
	New York	**BA**	**364**	**364**	
	Newark	Continental	365	719	762
		Virgin		**362**	
	Orlando	BA	209	366	364
		Virgin	365	719	748
	Philadelphia	**US Air**		**667**	**365**
	Phoenix	**BA**		**365**	
	Pittsburg	**BA**	**364**		
		US Air		**166**	
	Raleigh/Durham	American	363	363	361
	San Francisco	**Virgin**		**67**	
	San Juan	**BA**	**41**	**12**	
	St Louis	**TWA**	**365**	**363**	
	Tampa	BA	49	177	260
Gatwick Total			**8,458**	**12,554**	**8,743**

Source: *OAG Schedules from BACK Information Services*

Table 4.6 - US Airlines' Transatlantic Networks in 2005

Round Trips per Year

[ ] indicates destination which currently may be under-served by the US airline at London

		JFK	*Chicago*	*Dallas*	*Boston*	*Miami*	*Los Angeles*	*Raleigh*	*Total*
American	London	2,107	1,640	915	703	446	572	361	6,744
	Paris	727	365	364	181	365	-		2,002
	Frankfurt	-	365	363					728
	Brussels	362	365						727
	Manchester		364		242	120			726
	Zurich	349	-	364					713
	Rome	209	233						442
	Madrid	-				365			365
	Dublin		224						224
	Shannon	-			224				224
	Glasgow		154						154
American Total		*3,754*	*3,710*	*2,006*	*1,350*	*1,296*	*572*	*361*	*13,049*

		Newark	*Houston*	*Cleveland*	*Total*
Continental	London	762	721	152	1,635
	Paris	718	361		1,079
	Amsterdam	580	473		1,053
	Birmingham	642			*642*
	Manchester	533			*533*
	Glasgow	436			436
	Rome	418			418
	Edinburgh	409			409
	Shannon	362			362
	Frankfurt	360			360
	Brussels	360			360
	Zurich	360			360
	Geneva	346			346
	Madrid	340			340
	Milan	339			339
	Lisbon	329			329
	Dublin	306			306
	Oslo	247			247
	Bristol	209			209
	Belfast	202			202
	Stockholm	194			194
	Hamburg	186			186
	Berlin	173			173
Continental Total		*8,811*	*1,555*	*152*	*10,518*

		Atlanta	*JFK*	*Cincinnati*	*Total*
Delta	Paris	730	708	365	1,803
	London	1,113		365	1,478
	Frankfurt	698	365	365	1,428
	Rome	517	365	227	1,109
	Amsterdam	365	365	243	973
	Brussels	365	365		730
	Madrid	365	365		730
	Milan	365	309		674
	Barcelona	153	216		369
	Manchester	365	-		365
	Zurich	365	-	-	365
	Munich	365	-		365
	Stuttgart	365	-		365
	Venice		331		331
	Athens	-	313		313
	Nice		307		307
	Berlin		225		225
	Dublin	209	-		209
	Shannon	155	-		155
Delta Total		*6,495*	*4,234*	*1,565*	*12,294*

		Detroit	*Minneapolis*	*Boston*	*Memphis*	*Seattle*	*Total*
Northwest	Amsterdam	1,436	1,080	365	365	365	3,611
	London	365	303				668
	Paris	365					365
	Frankfurt	365					365
	Rome	154					154
Northwest Total		*2,685*	*1,383*	*365*	*365*	*365*	*5,163*

		Washington	*Chicago*	*San Francisco*	*JFK*	*Los Angeles*	*Total*
United	London	1,304	1,095	730	667	365	4,161
	Frankfurt	730	730	365			1,825
	Paris	365	365	302		-	1,032
	Amsterdam	365	302				667
	Munich	365	207				572
	Brussels	365					365
	Zurich	365					365
United Total		*3,859*	*2,699*	*1,397*	*667*	*365*	*8,987*

		Philadelphia	*Charlotte*	*Total*
US Airways	Frankfurt	575	365	940
	London	365	365	730
	Paris	365	-	365
	Amsterdam	365		365
	Munich	365		365
	Rome	365		365
	Madrid	365		365
	Manchester	365		365
	Dublin	175		175
	Shannon	174		174
	Venice	173		173
	Barcelona	166		166
	Glasgow	159		159
US Airways Total		*3,977*	*730*	*4,707*

Source: *OAG Schedules from BACK Information Services*

Table 4.7 - Potential New Destinations in the US

US Airport	*Enplanements (000s)*	*Hub*	*Principal Airlines*	*Direct London Service*	*Airlines*	*Comments*
Atlanta	42,450	DL		yes	BA, DL	
O'Hare, Chicago	36,967	UA/AA		yes	BA, AA, UA	
Los Angeles	30,125	UA		yes	BA, VS, AA, UA	Continental codeshare with VS
Dallas Fort Worth	28,242	AA		yes	BA, AA	
Las Vegas	21,092		Southwest	yes	VS	VS only - America West also strong
Denver	20,907	UA		yes	BA	Served directly only by BA: UA/bmi entry?
Phoenix	20,812	America West		yes	BA	BA serves (codesharing with America West)
Kennedy, New York	19,675		JetBlue,AA,DL	yes	BA, VS, AA, UA	DL entry - Continental codeshare with VS
Bush, Houston	18,298	CO		yes	BA, CO	
Minneapolis	18,084	NW		yes	NW	
Detroit	17,764	NW		yes	BA, NW	
Newark	16,195	CO		yes	BA, VS, CO	Continental and VS codeshare
San Francisco	16,150	UA		yes	BA, VS, UA	Continental codeshare with VS
Orlando	16,043		DL,Southwest,AA	yes	BA, VS	BA, VS only - Continental codeshare with VS
Philadelphia	15,286	US		yes	BA, US	
Miami	14,879	AA		yes	BA, VS, AA	Continental codeshare with VS
Seattle	14,576		Alaska,Horizon Air,UA	yes	BA	BA only - UA entry?
Charlotte	13,611	US		yes	US	
Boston	13,100		DL,AA,US	yes	BA, VS, AA	US entry (Continental codeshare with VS)
Dulles, Washington	12,858	UA		yes	BA, VS, UA	Continental codeshare with VS
LaGuardia	12,811		DL,AA,US			Domestic
Cincinnati	11,598	DL		yes	DL	
Fort Lauderdale	10,732		DL,Southwest,AA,Jetblue			Leisure route: UK a/ls more likely to enter?
Baltimore	10,210		Southwest	yes	BA	BA only - US entry?
Honolulu	10,065		Hawaiian,Aloha			
Salt Lake City	9,916	DL				DL entry?
Tampa	9,069		Southwest,DL,US	yes	BA	Only served by BA: DL/US entry unlikely?
Midway, Chicago	9,041		Southwest,ATA			Domestic
San Diego	8,497		Southwest,UA			Direct service by BA in 2001
National, Washington	8,171		US,DL,AA			Domestic
Oakland	7,284		Southwest			
St Louis	6,895	AA				
Portland	6,713		Alaska,Southwest			
Pittsburgh	5,997	US				
Memphis	5,676	NW				NW entry?
Cleveland	5,604	CO		yes	CO	Continental operate summer season only
Kansas City	5,514		Southwest,AA			
San Jose	5,422		Southwest,AA			
San Juan	5,299		AA			
New Orleans	5,298		Southwest			

Sacramento	5,079	Southwest		
Nashville	4,840	Southwest		
Orange County	4,750	Southwest		
Raleigh/Durham	4,636	Southwest,AA,DL	yes	AA
Hobby, Houston	4,575	Southwest		
Indianapolis	4,319	ATA,NW,Southwest		
Austin	3,708	Southwest,AA		
San Antonio	3,591	Southwest,AA		
Fort Myers	3,581	DL,US		
Hartford	3,486	DL,Southwest,US		
Ontario	3,457	Southwest		
Milwaukee	3,449	Midwest,NW		
West Palm Beach	3,420	DL,US		
Albuquerque	3,362	Southwest		
Love, Dallas	3,289	Southwest		
Columbus	3,224	Southwest,Chautauqua,DL		
Jacksonville	2,889	Southwest,DL,US		
Providence	2,826	Southwest,US		
Kahului	2,735	Hawaiian,Aloha		
Reno	2,630	Southwest		

Source: Enplanements data from Aviation Daily (Data for the year to May 2005)

Table 4.11A - Round-Trips by US Carriers on London-US routes in 2005

		American	Continental	Delta	Northwest	United	US Airways	Total
1	New York	2,096				641		2,736
2	Baltimore							
2	Boston	697						697
2	Newark		763					763
2	Philadelphia						360	360
2	Washington					1,294		1,294
2	Chicago	1,634				1,096		2,730
3	Cincinnati			364				364
3	Cleveland		152					152
3	Detroit				360			360
3	Minneapolis				302			302
3	Pittsburg							
4	Atlanta			1,107				1,107
4	Charlotte						362	362
4	Miami	442						442
4	Nashville							
4	Raleigh/Durham	361						361
4	St Louis							
4	Memphis							
5	Dallas	912						912
5	Houston		717					717
6	Denver							
6	Seattle							
6	Salt Lake City							
7	Los Angeles	571				365		936
7	San Francisco					753		753

Source: CAA Airport Sector Statistics

Table 4.11B - Enplaned Passengers of US Airlines at Major US Airports in the Year to May 2005

Passengers in millions		American	Continental	Delta	Northwest	United	US Airways	Total
1	New York	4.0		2.9	0.0	0.7	0.0	7.7
2	Baltimore	0.7	0.3	0.6	0.4	0.7	0.4	3.2
2	Boston	2.2	0.5	2.3	0.6	1.1	1.6	8.3
2	Newark	0.9	8.4	0.7	0.3	0.7	0.2	11.3
2	Philadelphia	0.7	0.0	0.7	0.4	0.7	7.9	10.4
2	Washington	0.4	0.0	0.4	0.2	4.2	0.0	5.2
2	Chicago	10.5	0.4	0.6	0.5	13.6	0.5	26.2
3	Cincinnati	0.0	0.0	5.8	0.0	0.0	0.0	5.8
3	Cleveland	0.0	1.6	0.2	0.2	0.2	0.0	2.2
3	Detroit	0.5	0.2	0.3	11.6	0.3	0.0	12.9
3	Minneapolis	0.4	0.0	0.3	12.2	0.5	0.0	13.4
3	Pittsburg	0.1		0.3	0.1	0.2	2.9	3.7
4	Atlanta	0.7	0.4	28.6	0.5	0.3	0.2	30.7
4	Charlotte	0.1	0.0	0.2	0.1	0.2	9.3	10.0
4	Miami	8.8	0.4	0.6	0.2	0.3	0.3	10.6
4	Nashville	0.4	0.0	0.3	0.4	0.0	0.2	1.3
4	Raleigh/Durham	0.6	0.0	0.6	0.3	0.0	0.5	1.9
4	St Louis	1.9	0.0	0.2	0.3	0.2	0.0	2.7
4	Memphis	0.1	0.0	0.3	3.0	0.0	0.0	3.4
5	Dallas	19.1	0.3	1.7	0.3	0.5	0.3	22.2
5	Houston	0.4	11.6	0.3	0.3	0.3	0.2	13.2
6	Denver	0.8	0.5	0.8	0.6	9.6	0.4	12.6
6	Seattle	0.8	0.5	0.8	1.0	1.5	0.3	4.9
6	Salt Lake City	0.2	0.1	4.4	0.2	0.3		5.2
7	Los Angeles	4.5	1.0	2.3	1.1	4.9	0.0	13.8
7	San Francisco	1.5	0.5	0.9	0.6	6.8	0.5	10.8

Source: Aviation Daily 28-30 Nov 2005

Table 4.11C - Transatlantic Round-Trips per million domestic enplanements

		American	Continental	Delta	Northwest	United	US Airways
1	New York	518				641	
2	Baltimore						
2	Boston	321					
2	Newark		91				
2	Philadelphia						46
2	Washington					311	
2	Chicago	156				80	
3	Cincinnati			63			
3	Cleveland		93				
3	Detroit				31		
3	Minneapolis				25		
3	Pittsburg						
4	Atlanta			39			
4	Charlotte						39
4	Miami	50					
4	Nashville						
4	Raleigh/Durham	361					
4	St Louis						
4	Memphis						
5	Dallas	48					
5	Houston		62				
6	Denver						
6	Los Angeles						
6	Salt Lake City						
7	San Francisco	128				74	
7	Seattle					111	

Notes: Derived from Table 4.11A divided by Table 4.11B

Table 4.11D - Hypothetical Transatlantic Round-Trips per day

			American	Continental	Delta	Northwest	United	US Airways	Total
600	1	New York	7		5		1		13
80	2	Baltimore							
80	2	Boston			1				1
200	2	Newark	1	5					6
80	2	Philadelphia						2	2
80	2	Washington					1		1
80	2	Chicago	2				3		5
50	3	Cincinnati			1				1
50	3	Cleveland							
50	3	Detroit				2			2
50	3	Minneapolis				2			2
50	3	Pittsburg							
50	4	Atlanta			4				4
50	4	Charlotte						1	1
50	4	Miami	1						1
50	4	Nashville							
50	4	Raleigh/Durham							
50	4	St Louis							
50	4	Memphis							
50	5	Dallas	3						3
50	5	Houston		2					2
50	6	Denver					1		1
50	6	Seattle							
50	6	Salt Lake City			1				1
80	7	Los Angeles	1		1		1		3
80	7	San Francisco					1		1

Notes: The first column contains "typical" values of the parameter "Transatlantic Round-Trips/Airport Enplanements" for each of the different groupings shown in the second column.

Table 4.12 - London's Share of Seat Capacity to US Destinations

	Amsterdam	Brussels	Paris	Frankfurt	Gatwick	Heathrow	Zurich	Total	London Share
Anchorage				6,994				6,994	*0%*
Atlanta	154,540	74,460	339,628	252,241	324,045		74,460	1,219,374	*27%*
Baltimore						73,093		73,093	*100%*
Boston	105,645		201,285	156,364		591,312	69,572	1,124,178	*53%*
Charlotte				95,265	95,265			190,530	*50%*
Chicago	159,792	77,380	231,725	549,160		1,024,863	68,664	2,111,584	*49%*
Cincinnati	49,572		136,772	74,460	74,460			335,264	*22%*
Cleveland					26,144			26,144	*100%*
Dallas			77,168	175,099	294,700		77,168	624,135	*47%*
Denver				134,324		82,174		216,498	*38%*
Detroit	424,653		147,172	190,982	103,661	80,524		946,992	*19%*
Fort Myers				20,982				20,982	*0%*
Houston	236,291		197,133	88,153	342,967			864,544	*40%*
Las Vegas				20,982	95,342			116,324	*82%*
Los Angeles	101,470		302,419	352,471		917,530	59,508	1,733,398	*53%*
Memphis	99,645							99,645	*0%*
Miami	89,445		223,512	142,350		511,068	51,548	1,017,923	*50%*
Minneapolis	296,215				82,719			378,934	*22%*
New York	277,751	179,974	627,769	492,926		2,064,249	150,008	3,792,677	*54%*
Newark	211,127	84,478	389,628	226,030	192,169	464,422	81,685	1,649,539	*40%*
Orlando	55,269			31,473	371,356			458,098	*81%*
Philadelphia	72,635		163,294	240,161	95,942	163,444		735,476	*35%*
Phoenix						109,161		109,161	*100%*
Raleigh/Durham					86,960			86,960	*100%*
San Francisco	110,445		180,429	268,615		579,564		1,139,053	*51%*
Seattle	105,020					128,115		233,135	*55%*
Tampa					59,020			59,020	*100%*
Washington	169,882	70,445	304,470	410,092		689,513	70,445	1,714,847	*40%*
Total	**2,719,397**	**486,737**	**3,522,404**	**3,929,124**	**2,244,749**	**7,479,033**	**703,058**	**21,084,502**	*46%*

Source: *OAG Schedules of BACK Information Services*

Note: *Indicates that London has a relatively low share of seat capacity on this route.*

Table 4.9 – Potentially Constrained Routes in the 2000 to 2005 Period

	Potentially Constrained by	*Static (a)*	*Increasing*
Atlanta	UK	BA	DL
Baltimore	US	BA	
Boston	US	AA, BA, VS	
Charlotte	UK	US	
Chicago	UK	AA, BA	UA
Cincinnati	UK	DL	
Cleveland	UK	CO	
Dallas	UK	BA	AA
Denver	US	BA	
Las Vegas	US		VS
Los Angeles	US	BA, UA, VS	AA
Miami	US	VS	AA, BA
Minneapolis	UK	NW	
Newark	US	CO	BA, VS
Orlando	US	BA, VS	
Philadelphia	US	BA, US	
Raleigh/Durham	UK	AA	
Seattle	US	BA	
Tampa	US		BA, VS

(a) Static includes those services that were not present in 2000 but are now present in 2005 as well as those services where frequency has fallen

Table 4.10 – Unconstrained Routes in the 2000 to 2005 Period

	Static (a)	*Increasing (a)*
Detroit	BA, NW	
New York	AA, BA, UA, VS	
San Francisco	BA, UA, VS	
Washington	VS	BA, UA
Houston	CO	BA

Notes: *(a) Based on a comparison of the flights operated by the incumbents in 2000 and 2005.*
(b) For these airlines, Newark is considered under Bermuda II as included in New York whereas it is a separate gateway for Continental.

Table 5.6 – Results for US Airlines' Transatlantic Division and Virgin Overall in 1998 (updated until 2005 for VS)

										(£m)
Operating Revenues ($m)	*American*	*Continental*	*Delta*	*Northwest*	*TWA*	*United*	*US Airways*	*Total*	*Virgin*	*Virgin*
Financial Year	----------*Calendar1998*----------							*US*	*30/03/1999*	*28/02/2005*
Scheduled Services (Total)	1,921	967	2,030	753	367	1,734	373	8,145	1,615	1,278
Passenger	1,748	897	1,846	703	333	1,566	333	7,426	1,475	1,148
Excess Baggage	5	0	3	2	1	3	1	16	7	3
Freight	148	64	167	45	25	140	32	621	133	128
Mail	20	6	15	3	7	25	7	83	0	
Non-Scheduled Flights	0	0	2	0	0	0	0	2	0	
Incidental Revenues (Total)	117	127	147	183	51	113	14	752	5	64
TOTAL OPERATING REVENUES	*2,039*	*1,094*	*2,180*	*936*	*418*	*1,846*	*387*	*8,899*	*1,620*	1,342
Operating Costs ($000s)										
Flight Crew Salaries & Expenses	204	71	224	78	42	185	69	873	138	145
Aircraft Fuel & Oil	167	121	230	96	45	157	35	849	153	252
Flight Equipment Insurance etc	4	0	2	0	1	1	1	10	5	4
Rental of Flight Equipment	52	60	76	22	41	71	23	345	137	154
Flight Crew Training	0	0	0	0	0	0	0	0	13	4
Other Flight Expenses	16	12	0	1	3	0	5	36	12	-
Maintenance & Overhaul	190	137	127	120	62	121	38	796	189	137
Depreciation of Flight Equipment	116	37	122	21	13	77	12	396	40	38
Other Depreciation	7	2	9	4	4	15	1	42	26	15
Development costs etc	17	2	4	2	12	2	1	40	8	-
Landing & other Airport Charges	18	10	38	11	7	37	4	126	122	27
Route Facility Charges	54	88	64	30	19	58	16	329	63	57
Station Expenses	269	44	200	111	77	190	32	923	0	81
Passenger Services	330	110	355	95	69	232	64	1,254	123	153
Ticketing, Sales & Promotion	287	96	269	113	76	306	38	1,185	182	130
General & Administrative	77	41	91	35	51	123	7	425	187	96
Other Operating Expenses	54	82	79	0	31	34	0	281	49	36
TOTAL OPERATING EXPENSES	*1,863*	*913*	*1,890*	*740*	*552*	*1,608*	*345*	*7,911*	*1,445*	1,330
OPERATING PROFIT	*176*	*180*	*290*	*196*	*-134*	*238*	*42*	*989*	*174*	12

Note

Outputs and Derivatives	*American*	*Continental*	*Delta*	*Northwest*	*TWA*	*United*	*US Airways*	*Total US*	*Virgin*	
Scheduled ASKs (m)	29,937	18,026	38,449	15,746	9,103	31,375	7,854	150,491	29,255	43,150
Scheduled RPKs (m)	23,453	14,439	30,448	12,520	6,903	23,954	6,112	117,829	23,205	32,079
Scheduled Passengers (000)	3,575	2,287	4,438	1,945	1,004	3,534	972	17,755	3,354	4,489
Average Passenger Distance (km)	6,561	6,313	6,861	6,437	6,875	6,777	6,291	6,636	6,919	7,147
Seat Factor	78%	80%	79%	80%	76%	76%	78%	78%	79%	74%
Cost per ASK (p)	6.22	5.07	4.92	4.70	6.06	5.13	4.39	5.26	4.94	3.08
Net Passenger Cost per ASK(p)	5.25	3.97	4.05	3.22	5.14	4.23	3.70	4.28	4.45	
Sales costs as % of PaxRev.	16%	11%	15%	16%	23%	20%	12%	16%	12%	11%
Pax Service Costs per RPK (cents)	0.70	0.38	0.58	0.38	0.50	0.48	0.52	0.53	0.53	0.48
Other Costs per ASK (cents)	3.74	3.14	2.90	2.20	3.92	2.89	2.81	3.08	3.40	
Seats										

Source: *ICOA financial data,1998*
CAA financial statistics, 2004

Table 1.6 – Business Class Return Fares to New York (Sterling Equivalents)

	BA	*Lufthansa*	*KLM*	*Air France*
	Heathrow	*Frankfurt*	*Amsterdam*	*Paris*
01-Jan-90	1,712	1,347	1,344	1,330
01-Jan-91	2,122	1,446	1,445	1,623
01-Jan-92	2,122	1,479	1,608	1,763
01-Jan-93	2,164	1,762	1,866	2,042
01-Jan-94	2,164	1,650	1,805	1,965
01-Jan-95	2,164	1,782	1,893	2,046
01-Jan-96	2,362	2,065	2,105	2,303
01-Jan-97	2,680	1,836	1,905	2,092
01-Jan-98	2,954	1,800	1,860	2,234
01-Jan-99	3,164	1,922	2,086	2,601
01-Jan-00	3,244	1,737	1,762	2,361
01-Jan-01	3,870	1,825	2,004	2,582
01-Jan-02	3,821	2,028	2,151	2,647
01-Jan-03	3,936	2,123	2,365	2,882
01-Jan-04	3,956	2,393	2,561	3,279
01-Jan-05	3,956	2,446	2,705	3,470
01-Jan-06	4,078	2,402	2,656	3,461
Taxes, Fees and Surcharges				
01-Aug-06	75	96	82	75

Source: Galileo CRS and ATPCo Government Filing System

NOTES:
In each case the lowest published flexible business fare is shown.
London fares in 1990, 1991 and 2001 -6 are 2nd level J2 rather than J (which was higher).
Amsterdam and Paris fares in 2000-06 are 2nd level C rather than J (which was higher).
All fares are shown as round trip and exclude taxes, fees and charges.
Only the fares of the relevant European national carrier are shown.
Fares from Germany, Netherlands and France are expressed in Euros as from March 2001.

Table 1.7 – Business Class Return Fares from New York (in dollars)

	BA	*Lufthansa*	*KLM*	*Air France*
	Heathrow	*Frankfurt*	*Amsterdam*	*Paris*
01-Jan-90	3,078	2,132	2,064	2,322
01-Jan-91	3,604	2,490	2,412	2,646
01-Jan-92	3,892	2,772	2,684	2,916
01-Jan-93	3,892	2,772	2,600	2,916
01-Jan-94	3,970	2,772	2,600	2,916
01-Jan-95	3,970	2,828	2,738	2,974
01-Jan-96	4,296	2,970	2,792	3,220
01-Jan-97	4,910	3,884	3,384	3,738
01-Jan-98	5,260	4,770	3,472	5,266
01-Jan-99	5,366	5,158	4,392	5,266
01-Jan-00	5,600	5,416	4,000	5,730
01-Jan-01	6,724	6,108	5,526	5,942
01-Jan-02	7,260	5,818	5,526	6,239
01-Jan-03	7,624	5,813	5,802	6,239
01-Jan-04	7,644	5,833	5,822	6,259
01-Jan-05	8,314	5,833	5,822	6,259
01-Jan-06	8,572	6,258	6,072	6,509
Taxes, Fees and Surcharges				
01-Aug-06	281	228	88	139

Source: Galileo CRS and ATPCo Government Filing System

NOTES:
In each case the lowest published flexible business fare is shown.
London fares in 1990 and 1991 are 2nd level J2 rather than J (which was higher).
Paris fare from 1999 to 2001 is 2nd level C rather than J (which was higher).
All fares are shown as round trip and exclude taxes, fees and charges.
Only the fares of the relevant European national carrier are shown.